

Message Text

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ACTION NEA-10

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 7251

INFO AMEMBASSY BEIRUT

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

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E.O. 11652: N/A

TAGS: USEGJC EINV EIND

SUBJECT: INVESTMENTS IN EGYPT: GOODYEAR TIRE

REF: STATE 224724 (NOTAL)

1. DURING US-EGYPTIAN JOINT BUSINESS COUNCIL MEETINGS (OCT 13-14) EMBOFFS HAD OPPORTUNITY TO RAISE WITH SENIOR GOE OFFICIALS PRESENT PROBLEMS RELATED TO GOODYEAR'S INTEREST IN TIRE PLANT. (COMPANY, WHICH HAD INITIALLY WANTED MAJORITY INTEREST, EVENTUALLY ACCEPTED 50-50 PARTNERSHIP, AND THEN WAS ABRUPTLY INFORMED THAT IT COULD NOT OWN MORE THAN 30 PERCENT OF NEW FIRM.)

2. IN DISCUSSION WITH PM SALEM, DCM ASKED HOW GOE WAS HANDLING PROJECTS PROPOSED BY US COMPANIES, AND WAS INFORMED THAT THEY WERE BEING PROCESSED PROPERLY AND PROMPTLY. IN THIS CONTEXT, DCM DESCRIBED SET-BACK THAT GOODYEAR HAD EXPERIENCED, AND POINTED OUT VALUE COMPANY ATTACHED TO HAVING CONTROL OVER PRODUCT BEARING ITS NAME. PM, WHO WAS UNAWARE OF CASE, CALLED OVER HASSAN ABDEL FATTAH, CHAIRMAN OF GOFI (GENERAL ORGANIZATION FOR LIMITED OFFICIAL USE

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INDUSTRIALIZATION) WHO CONFIRMED SITUATION AND EXPLAINED

THAT SINCE VIABILITY OF PROJECT WAS BASED ON DOMESTIC SALES,
GOE NATURALLY FELT IT SHOULD HOLD MAJOR SHARE.

3. DCM POINTED OUT THAT WHILE INITIAL EXPORT PERCENTAGES
WERE PERHAPS NOT HIGH, THEY COULD GROW CONSIDERABLY OVER
TIME AND GOE SHOULD NOT FORECLOSE SERIOUS OFFER BY MAJOR
US CORPORATION. PM SALEM ASKED THAT GOFI TAKE ANOTHER LOOK
AT PROJECT AND SEND HIM A REPORT. PM MENTIONED THAT PERHAPS
40 PERCENT COULD BE OFFERED TO GOODYEAR.

4. IN SEPARATE CONVERSATION WITH MINECONCOOP SAHFEI, ECONCOUN
BROUGHT UP SAME SUBJECT. SHAFEI STRESSED TWO POINTS WHICH HAD
LED TO DECISION, DEPENDENCE ON LOCAL MARKET FOR ECONOMIC OPERATION
AND FACT THAT COMPANY WAS NOT BRINGING IN ANYTHING NEW IN WAY
OF TECHNOLOGY. EGYPT KNOWS HOW TO MAKE TIRES, AND GOODYEAR
SHOULD NOT REASONABLY EXPECT TO TAKE MAJOR SHARE OF PROFITS OUT
OF COMPANY THAT IS NOT REALLY ADDING TO ECONOMY. (EXPERTISE
AND SIGNIFICANCE TO NATIONAL ECONOMY ARE TWO OF BASIC
PRECEPTS UNDERLYING ACCEPTANCE OF FOREIGN CAPITAL UNDER
LAW 43.)

5. COMMENT: WHILE SOMETHING CAN BE SAID ON BOTH SIDES OF
GOODYEAR ISSUES, GOE CLEARLY HAS THE FINAL SAY. WHAT IS OF
VALUE IS REVELATIONS OF EGYPTIAN THINKING ON SPECIFIC PROJECT.
LACK OF INTEREST IN DOMESTICALLY-ORIENTED PROJECTS HAS ONCE
MORE BEEN DEMONSTRATED, EVEN THOUGH IMPORT SUBSTITUTION IS A SOUGHT-
AFTER GOAL. WHILE FURTHER PROOF WAS NEITHER NEEDED NOR WANTED,
GOE HAS AGAIN EXHIBITED ITS ABILITY MAKE DRAMATIC AND UNILATERAL
CHANGES IN VARIOUS ASPECTS OF ITS DEALING WITH FOREIGN BUSINESSES,
AND AT ALMOST ANY STAGE OF NEGOTIATIONS.
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